

## Krafringen Energi AB (publ)

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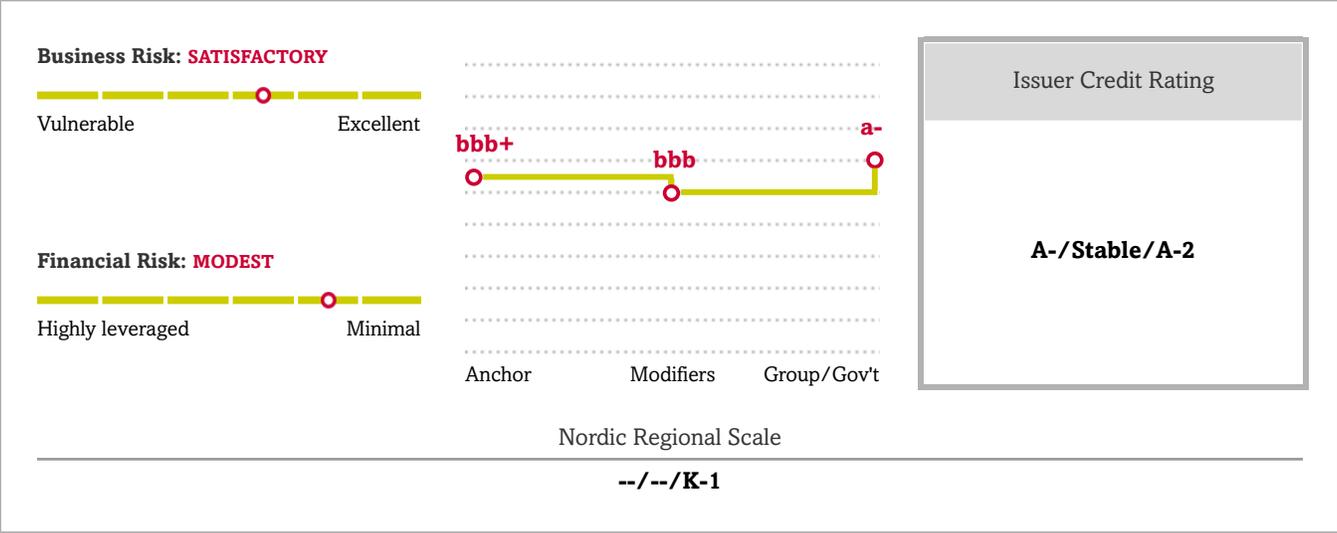
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# Kraftringen Energi AB (publ)



## Credit Highlights

### Overview

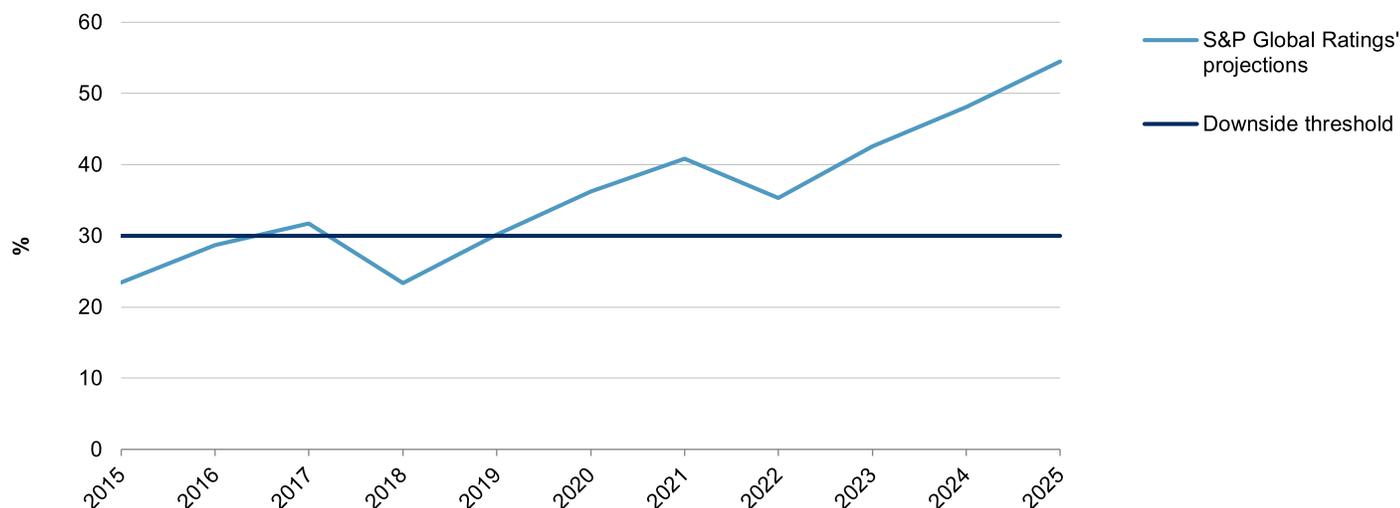
Key strengths	Key risks
Stable and predictable cash generation from electricity distribution and district heating in southern Sweden, which represent about 90% of adjusted EBITDA, about Swedish krona (SEK) 823 million (€80 million).	Political risk related to environmental factors, as demonstrated by additional taxes or policies affecting Kraftringen's district heating business, despite the company's environmentally friendly leading position.
Significant financial headroom, with S&P Global Ratings-adjusted funds from operations (FFO) to debt at 35%-45%, well above our 30% rating downside threshold, mainly due to synergies from the integration of Skånska Energi.	Potential investments beyond our base case in 2022-2024, owing to the planned combined heat and power plant (CHP) or possible acquisition activity, leading to higher debt.
Leading position in Sweden in transitioning to more environmentally friendly heat generation, with no fossil fuel used since 2019 and a low carbon footprint as a result.	Uncertainty on regulation, uncertainty on the low weighted average cost of capital (WACC) of 2.35% for the current regulatory period, where final terms are pending a court ruling, and limited visibility on the new regulatory period starting in 2024.
Ownership by the Lund (Municipality of) (AAA/Stable/A-1+), which allows for two notches of uplift in the long-term rating.	

**S&P Global Ratings expects Kraftringen Energi AB (publ)'s credit ratios to strengthen, with significant credit headroom.**

Kraftringen's predictable activities as an energy distribution system operator (DSO), district heating revenue, and commitment to deleveraging have resulted in steady improvements in its credit ratios, which we expect will continue. In particular, we forecast FFO to debt at 35%-45% during 2022-2024, compared with 36% in 2020 and 23% in 2018, as a consequence of increasing cash flows and lower debt, which is well above our downside rating threshold of 30%. Given the typically very stable operations, with only limited variation, we expect the company's credit ratios to withstand the possibly less favorable regulatory framework for DSOs with the new regulatory period starting in 2024. However, we believe that due to this year's very turbulent and volatile market conditions, EBITDA could deteriorate to about SEK700 million-SEK800 million for 2022 compared with SEK820 million in 2021. We expect a rebound in EBITDA already in 2023, with EBITDA at about SEK800 million-SEK900 million.

Chart 1

## Kraftringen Energi AB (publ)--FFO-To-Debt Threshold



FFO--Funds from operations. Source: S&P Global Ratings.

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***We view as positive the high contribution from regulated electricity distribution and district heating, about 90% of EBITDA, due to their stable and predictable nature.*** In 2021, Kraftringen's S&P Global Ratings-adjusted EBITDA amounted to SEK823 million. About 60%-65% of EBITDA stems from DSO activities (increased from previous years after Skånska Energi's consolidation), and 33%-37% stems from its district heating business. We expect the DSO business to continue to generate stable EBITDA of SEK500 million-SEK600 million annually with very little volatility. In addition, we view its district heating business as stable with monopoly-like features. This is because barriers to entry are high, with pipes being buried requiring extensive work and high costs for new companies to challenge the company as the heat provider in its region.

***Kraftringen expects to mitigate the cut in remuneration in the new regulatory period by transferring unused revenue from prior periods.*** It is now confirmed that Swedish DSOs will be allowed to transfer unused revenue from the 2012-2015 and 2016-2019 regulatory periods to the current 2020-2023 and the upcoming 2024-2027 regulatory periods. However, their remuneration during the 2020-2023 regulatory period and beyond remains uncertain, in light of ongoing court proceedings driven by appeals. The WACC for 2020-2023 is therefore not yet final. However, it is not expected to be lower than 2.35%, which is what we use in our base-case scenario. Despite the uncertainty, we expect a limited impact from the change in regulation, since Kraftringen has unused revenue from previous periods. In total, Kraftringen has almost SEK900 million in money value for 2018 that it can use during 2020-2027, which will partly compensate for the lower WACC. Despite this, uncertainties remain regarding the regulatory framework for DSOs in Sweden.

***Market volatility affects earnings by about SEK100 million during 2022, but we expect full rebound already in 2023.***

The geopolitical environment has driven energy prices and underlying volatility to extreme levels. For example, the spread in the Nordics between price areas has widened, with spreads of more than several hundred euros even within Sweden. However, as a result of the spreads between price zones, Krafringen is taking on temporary losses on its hedging, and together with increased costs in its CHP activities, we foresee that EBITDA will decrease by about SEK100 million during 2022 versus 2021 and be as low as SEK700 million. However, we expect full recovery and even increased EBITDA to about SEK800 million-SEK900 million already in 2023, thanks to increased prices on district heating, but also increased earnings on electricity sales from its CHP plants.

***Investments could increase significantly.*** Investments are expected to ramp up in 2024 due to a new CHP plant, however, it is our understanding that the final investment decision is expected in 2024 at the earliest. Investments have shifted focus from single and large weather protection of electricity networks and replacement of fossil fuel-based heating/cooling production to a larger number of reinvestments to increase security of supply, energy production, and distribution to meet increased customer requirements linked to electrification, energy services, and micro-production.

***Krafringen's 100% fossil fuel-free production implies low risk from new environment-driven taxes or policies, such as the recent implementation of tax on waste.*** The company has achieved fossil fuel-free production much earlier than its peers, which has shown to be beneficial. As an example, a new tax was introduced in April 2020 of SEK75 per metric ton (/Mt) of waste used as fuel, increasing to SEK100/Mt in 2021 and SEK125/Mt in 2022. Since Krafringen only uses fossil-free fuels such as biomass (wood pellets) in the district heating business, and it does not use refuse-derived fuel, it is not exposed to such tax risk.

***The strategic acquisition of Skånska Energi yielded substantial synergies within the DSO activities.*** The company increased its EBITDA by almost 28% in 2021, supporting healthy debt reduction of about 26% to about SEK1.9 billion from SEK2.5 billion in 2018. This debt reduction was more rapid than we anticipated after the acquisition. Today, Krafringen owns about 72% of Skånska Energi, which had 19,000 DSO customers and increased Krafringen's DSO customers by about 18% to 125,000. We view the acquisition as strategic due to synergies within DSO activities because Skånska Energi is located between current grids, which means that maintenance and personnel costs could decrease.

***The utility has a strong link to the Municipality of Lund.*** Krafringen is a regional multi-utility company, majority owned (82%) by Lund. We see Lund as a strong and stable shareholder, with a controlling influence on Krafringen's strategy and business plans. We understand that there are no political incentives to privatize the company.

**Outlook: Stable**

The stable outlook on Krafringen reflects our view that the company's fully regulated electricity distribution business and stable district heating operations will likely continue to support cash flow. We expect Krafringen will maintain S&P Global Ratings-adjusted FFO to debt of 35%-45% or higher in the next two years, well above the 30% downgrade threshold for the rating. This positive development is supported by increased operating efficiency and its commitment to deleveraging.

**Downside scenario**

We could lower our ratings if Krafringen's credit metrics weakened materially versus our forecasts, for example if FFO to debt stayed below 30%. This could stem from additional material debt-funded investments, or operational underperformance.

Furthermore, given that the likelihood of extraordinary government support is an important element of our ratings on Krafringen, we could lower the ratings if assumed support from Lund weakened due to the municipality significantly reducing its stake in the company.

**Upside scenario**

We see the likelihood of a positive rating action as relatively remote, given the company's size, which constrains its business risk profile. Rating upside would therefore likely depend on continued earnings stability and sustainable deleveraging beyond our expectations.

**Our Base-Case Scenario****Assumptions**

- DSO WACC of 2.35% and ability to roll over about SEK900 million from previous regulatory periods.
- EBITDA margin at about 17%-22%, with synergies from the 72% stake in Skånska Energi, but offset with volatility in commodity prices.
- Capital expenditure (capex) peaking in 2022 at about SEK600 million before decreasing to SEK450 million–SEK500 million by 2024. We understand the company intends to limit capex to SEK600 million.

**Key metrics**

<b>Krafringen Energi AB (publ)--Key Metrics</b>					
<b>(Mil. SEK)</b>	<b>2020a</b>	<b>2021a</b>	<b>2022f</b>	<b>2023f</b>	<b>2024f</b>
EBITDA	832.0	823.34	700-800	800-900	850-950
FFO	755.0	757.47	650-750	750-850	800-900

**Kraftringen Energi AB (publ)--Key Metrics (cont.)**

(Mil. SEK)	2020a	2021a	2022f	2023f	2024f
Debt	2,082.9	1,855	1,800-1,900	1,750-1,850	1,650-1,750
Capex	365.6	421	550-600	500-550	490-540
Dividend	152.3	142.07	140-150	190-200	190-200
FFO to debt (%)	36.2	40.83	35-40	40-45	40-45
Debt to EBITDA (x)	2.5	2.25	2.5-3.0	2.0-2.5	2.0-2.5

SEK--Swedish krona. FFO--Funds from operations. a--Actual. f--Forecast. Capex--Capital expenditure.

## Company Description

Kraftringen is a regional multi-utility company, majority owned (82%) by the Municipality of Lund. The company generates, distributes, and sells electricity. It also provides district heating and cooling services; photovoltaic services; gas, including natural gas and biogas; and fiber optic network services, such as black fiber, internet, and telephony services, as well as energy-related services. In 2021, the company's S&P Global Ratings-adjusted EBITDA amounted to SEK823 million. Its DSO and district heating business account for about 90% of total EBITDA. It supplies power to approximately 125,000 connections in Skåne, Blekinge, and Småland. Its district heating services provide heat to about 9,000 customers. The company was formerly known as Lunds Energikoncernen AB (publ) and changed its name to Kraftringen Energi AB (publ) in November 2013. It is headquartered in Lund, Sweden.

## Peer Comparison

Table 1

### Kraftringen Energi AB (publ)--Peer Comparison

Industry sector: Electric

	Kraftringen Energi AB (publ)	Tekniska verken i Linköping AB	Stockholm Exergi Holding AB (publ)
Rating	A-/Stable/A-2	A+/Stable/A-1	BBB+/Stable/A-2
Municipality rating	AAA/Stable/A-1+	AA+/Stable/A-1+	AAA/Negative/A-1+
% of municipality ownership	100%	100%	50%
Role	Important	Important	Strong
Link	Strong	Very strong	Limited
Likelihood of extraordinary support	Moderately high	High	Moderate
GRE/GRM/RAS	SACP: +2	SACP: +3	SACP: +1
SACP	bbb	bbb+	bbb
Business risk profile	Satisfactory	Satisfactory	Strong
Country risk	Very low risk	Very low risk	Very low risk
Industry risk	Low	Low	Very low
Competitive position	Satisfactory	Satisfactory	Satisfactory
Financial risk profile	Modest	Modest	Significant
Cash flow / leverage	Modest	Modest	Significant

**Table 1**

<b>Krafringen Energi AB (publ)--Peer Comparison (cont.)</b>			
Anchor	Bbb+	Bbb+	Bbb
Capital structure	Neutral	Neutral	Neutral
Liquidity	Adequate	Adequate	Adequate
Financial policy	Neutral	Neutral	Neutral
Management / governance	Fair	Satisfactory	Satisfactory
Comparable rating analysis	Negative (-1 notch)	Neutral	Neutral
<b>--Fiscal year ended Dec. 31, 2021--</b>			
<b>(Mil. €)</b>			
Revenue	4,032.3	6,526.0	7,421.0
EBITDA	823.3	1,438.5	2,774.0
Funds from operations (FFO)	757.5	1,392.2	2,411.0
Interest expense	53.4	40.3	182.0
Cash interest paid	53.4	41.3	183.0
Cash flow from operations	759.3	1,508.2	1,798.0
Capital expenditure	421.4	1,091.0	1,363.0
Free operating cash flow (FOCF)	338.0	417.2	435.0
Discretionary cash flow (DCF)	195.9	230.2	(415.0)
Cash and short-term investments	337.2	752.0	1.0
Debt	1,855.1	2,532.8	12,501.9
Equity	3,765.3	6,278.0	12,037.0
<b>Adjusted ratios</b>			
EBITDA margin (%)	20.4	22.0	37.4
Return on capital (%)	9.0	9.2	5.2
EBITDA interest coverage (x)	15.4	35.7	15.2
FFO cash interest coverage (x)	15.2	34.7	14.2
Debt/EBITDA (x)	2.3	1.8	4.5
FFO/debt (%)	40.8	55.0	19.3
Cash flow from operations/debt (%)	40.9	59.5	14.4
FOCF/debt (%)	18.2	16.5	3.5
DCF/debt (%)	10.6	9.1	(3.3)

We view Tekniska verken i Linköping AB (TvAB) and Stockholm Exergi Holding AB (publ) as Krafringen's closest rated peers. TvAB is also a municipality-owned multi-utility, with a presence in electricity distribution, district heating, electricity supply, and electricity generation. Stockholm Exergi's main business line consists of district heating with larger scale and in the expanding Stockholm area than Krafringen and TvAB. TvAB's EBITDA is about twice that of Krafringen, whose DSO contribution represents about 60%-65% of EBITDA but this is offset by its smaller business than peers.

Krafringen and TvAB have similar business risk profiles, while we view Stockholm Exergi as having a slightly stronger business risk profile because of its size and streamlined business model, with less exposure from volatile activities.

TvAB's financial profile is stronger than its peers since its FFO to debt is usually about 55%, while Kraftringen's is about 41% and Stockholm Exergi's about 19%. TvAB has the strongest SACP, at 'bbb+', while those of Kraftringen and Stockholm Exergi are at 'bbb'. The difference in the likelihood of timely and sufficient extraordinary support is that the municipality of Linköping guarantees TvAB's debt issuance, but Lund does not guarantee Kraftringen's debt. Stockholm Exergi's 50% ownership by the City of Stockholm is weaker than for Kraftringen, which is 82% owned by the municipality of Lund.

## **Business Risk: Satisfactory**

Kraftringen's stable and predictable cash flows from regulated electricity distribution and stable district heating account for about 90% of EBITDA (DSO 60%-65% and district heating represent 33%-37%), and support our view of the company's business risk. DSO activities have been the main contributor to EBITDA, at about 50% historically. We see the regulatory framework for electricity in Sweden as stable and transparent, but the WACC for the current regulatory is among the lowest in Europe. Kraftringen is a local distributor with limited scale within the electricity distribution grid, as well as limited geographic and asset concentration, which increase its vulnerability to operational difficulties in its district heating business. However, the company's district heating business is connected to neighboring district heating grids, which leads to opportunities for cost-efficient production.

## **Financial Risk: Modest**

We expect Kraftringen to benefit from stable cash flow from its fully regulated electricity distribution business and stable district heating operations. District heating's profitability is supported by the company's modern CHP plant and a cost-efficient fuel mix. FFO to debt was 41% in 2021, and we forecast an increase year on year to 35%-45% in 2022–2024. Debt to EBITDA was 2.3x in 2021 after 3.0x in 2019, showing a decreasing trend that we expect will continue through 2024.

We expect that Kraftringen will cover its planned investments with cash flow, although its investments will peak this year at about SEK550 million-SEK600 million, up from SEK360 million-SEK460 million in 2019-2021. Investments are mainly environmental, for improved efficiency in current plants, and to maintain the electricity grid. We forecast that the company will increase its dividends to shareholders until 2023 and keep them stable, following stronger operating results. In our view, a large capex program and planned dividends constrain the company's financial risk profile, but we expect debt to remain stable and gradually decline in 2022–2024 to about SEK1,650 million-SEK1,750 million from SEK1,800 million in 2021.

## **Financial summary**

Table 2

## Kraftringen Energi AB (publ)--Financial Summary

	--Fiscal year ended Dec. 31--				
	2021	2020	2019	2018	2017
<b>(Mil. SEK)</b>					
Revenue	4,032	3,214	3,570	3,147	2,929
EBITDA	823	832	796	645	681
Funds from operations (FFO)	757	755	716	583	613
Interest expense	53	62	57	52	57
Cash interest paid	53	62	58	55	59
Cash flow from operations	759	772	715	608	608
Capital expenditure	421	366	457	488	488
Free operating cash flow (FOCF)	338	406	257	120	120
Discretionary cash flow (DCF)	196	254	140	5	17
Cash and short-term investments	337	109	195	176	53
Gross available cash	337	109	89	96	53
Debt	1,855	2,083	2,370	2,496	1,931
Equity	3,765	3,494	3,360	3,135	2,702
<b>Adjusted ratios</b>					
EBITDA margin (%)	20.4	25.9	22.3	20.5	23.2
Return on capital (%)	9.0	8.3	8.5	8.1	9.1
EBITDA interest coverage (x)	15.4	13.3	14.0	12.4	11.9
FFO cash interest coverage (x)	15.2	13.1	13.4	11.7	11.3
Debt/EBITDA (x)	2.3	2.5	3.0	3.9	2.8
FFO/debt (%)	40.8	36.2	30.2	23.4	31.8
Cash flow from operations/debt (%)	40.9	37.0	30.2	24.4	31.5
FOCF/debt (%)	18.2	19.5	10.9	4.8	6.2
DCF/debt (%)	10.6	12.2	5.9	0.2	0.9

SEK--Swedish krona.

## Reconciliation

Table 3

## Kraftringen Energi AB (publ)--Reconciliation Of Reported Amounts With S&amp;P Global Ratings' Adjusted Amounts (Mil.SEK)

--Fiscal year ended Dec. 31, 2021--							
Kraftringen Energi AB (publ) reported amounts							
	Debt	Shareholders' equity	EBITDA	Operating income	Interest expense	S&P Global Ratings' adjusted EBITDA	Cash flow from operations
Reported	2,129.3	3,536.9	807.1	500.1	49.0	823.3	742.9
<b>S&amp;P Global Ratings' adjustments</b>							
Cash taxes paid	--	--	--	--	--	(12.5)	--
Cash interest paid	--	--	--	--	--	(49.0)	--

**Table 3**

<b>Krafringen Energi AB (publ)--Reconciliation Of Reported Amounts With S&amp;P Global Ratings' Adjusted Amounts (Mil.SEK) (cont.)</b>							
Operating leases	32.4	--	20.8	2.3	2.3	(2.3)	18.6
Incremental lease liabilities	30.6	--	--	2.1	2.1	(2.1)	(2.1)
Accessible cash and liquid investments	(337.2)	--	--	--	--	--	--
Income (expense) of unconsolidated companies	--	--	(4.6)	--	--	--	--
Nonoperating income (expense)	--	--	--	2.1	--	--	--
Noncontrolling interest/minority interest	--	228.4	--	--	--	--	--
Total adjustments	(274.2)	228.4	16.2	6.5	4.4	(65.9)	16.4
<b>S&amp;P Global Ratings' adjusted amounts</b>							
	<b>Debt</b>	<b>Equity</b>	<b>EBITDA</b>	<b>EBIT</b>	<b>Interest expense</b>	<b>Funds from operations</b>	<b>Cash flow from operations</b>
Adjusted	1,855.1	3,765.3	823.3	506.6	53.4	757.5	759.3

SEK--Swedish krona.

## Liquidity: Adequate

We view Krafringen's liquidity position as adequate because we expect that, over the next 12 months, available liquidity sources in terms of cash, committed credit facilities, and operating cash flow should be about 1.6x the forecast near-term cash outflows, such as debt repayments, capex, and dividends. We also expect that sources will exceed uses even if EBITDA declines by 10%, and that the company will maintain adequate headroom under its financial covenants (equity to total assets of more than 30%). The company has historically demonstrated that it does not intend to keep a sources to uses ratio higher than 1.5x, especially because of the short-term facilities it uses during regulatory periods.

### Principal liquidity sources for the 12 months from June 30, 2022

- SEK1,000 million of undrawn bank lines, consisting of two SEK500 million back-up bank facilities maturity in 2024.
- SEK300 million revolving credit facility maturing in December 2024.
- A credit facility from Lund of SEK120 million maturing in April 2023.
- About SEK700 million of cash FFO.

### Principal liquidity uses for the same period

- About SEK530 million of debt maturities.
- SEK600 million of capex.
- SEK170 million of dividends.

## Environmental, Social, And Governance

### ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
- Waste and pollution					- N/A					- Risk management, culture, and oversight				

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Environmental factors are a moderately negative consideration in our credit rating analysis of Krafringen because of the footprint from its district heating activities (about 35% of EBITDA). This is balanced by managing its district heating operations on a fossil fuel-free basis, since they largely are fed by bioenergy, and large distribution operations (65% of EBITDA). We note that the sustainability concerning bioenergy is an ongoing discussion on the EU Taxonomy. Governance factors are also a moderately negative consideration, mainly due to its limited scope, and the relatively small size of the company.

The company is a front-runner in the Nordic region in terms of using only fossil-free fuels in its district heating business, has lowered its annual carbon dioxide footprint by 90% since 2007, and has decided to achieve net zero emissions of greenhouse gases by 2030.

## Government Influence

We continue to see a moderately high likelihood of extraordinary government support for Krafringen, based on the company's:

- Strong link to the government, primarily reflecting Krafringen's 100% ownership by Krafringen AB (not rated), a holding company owned by the municipalities of Lund (82%; AAA/Stable/K-1), Eslov (12%; not rated), Horby (4%; not rated), and Lomma (2%; not rated). Krafringen's operations are strongly aligned with the interests of the four municipalities and, in particular, Lund, which has a strong affiliation with, and controlling influence over, the group; and
- Important role for Lund, given its focus on providing critical public services and contributing to Lund's environmental agenda.

This leads to the addition of a two-notch uplift to the SACP, resulting in the long-term rating.

## Issue Ratings--Subordination Risk Analysis

Our Nordic regional scale rating on Kraftringen Energi's commercial paper program is 'K-1'. The 'A-2' short-term issuer credit rating is linked to the 'A-' long-term rating.

## Ratings Score Snapshot

### Issuer Credit Rating

A-/Stable/A-2

### Business risk: Satisfactory

- **Country risk:** Very low
- **Industry risk:** Low
- **Competitive position:** Satisfactory

### Financial risk: Modest

- **Cash flow/leverage:** Modest

Anchor: bbb+

### Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : bbb

- **Likelihood of government support:** Moderately high (+2 notches from SACP)

## Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Standard & Poor's National And Regional Scale Mapping Tables, Jan 19, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate

Issuers, Dec. 16, 2014

- General Criteria: 'National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

## Related Research

- Swedish Electricity DSOs Remain In Limbo As The Regulator Appeals Court Decision On Their Remuneration, March 18, 2021
- ESG Credit Indicator Report Card: Regulated Utility Networks, Nov. 18, 2021
- Swedish Multi-Utility Kraftringen Upgraded To 'A-' On Improved Operating Efficiency, Continued Deleveraging Commitment, May 12, 2021
- Swedish Electricity DSOs Remain In Limbo As The Regulator Appeals Court Decision On Their Remuneration, March 18, 2021
- Swedish Municipality of Lund 'AAA/A-1+' Ratings And 'K-1' Ratings Affirmed; Outlook Stable, Sept. 11, 2020
- Are Regulatory Framework Changes Threatening The Credit Quality Of Swedish DSOs?, Aug. 21, 2019

### Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
<b>Satisfactory</b>	a/a-	<b>bbb+</b>	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

### Ratings Detail (As Of September 1, 2022)\*

#### Kraftringen Energi AB (publ)

Issuer Credit Rating

A-/Stable/A-2

Nordic Regional Scale

--/--/K-1

## Ratings Detail (As Of September 1, 2022)\*(cont.)

## Commercial Paper

*Nordic Regional Scale*

K-1

**Issuer Credit Ratings History**

12-May-2021		A-/Stable/A-2
01-Feb-2019		BBB+/Stable/A-2
23-Nov-2018		BBB+/Watch Neg/A-2
01-Feb-2019	<i>Nordic Regional Scale</i>	--/--/K-1
23-Nov-2018		--/Watch Neg/K-1
05-Feb-2010		--/--/K-1

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